

# Rebalancing Report

## Japan Minimum Variance Index NR

### 22-Feb-2016

Ossiam Research & Investment Team\*

The Japan Minimum Variance Index NR rebalances each third Friday of the month. The new composition is implemented at the opening of the next business day after the third Friday - usually the next Monday. The weights are computed using closing prices four days prior to the third Friday. Both the Japan Minimum Variance Index NR and the benchmark S&P TOPIX 150 Index NR are computed in JPY. The calculations in the document are performed by Ossiam using S&P /Datastream source.

## 1 Stock Statistics

| Japan Minimum Variance Index NR | 22-Feb-2016 |
|---------------------------------|-------------|
| Number of Stocks                | 77          |
| Added Stocks                    | 12          |
| Deleted Stocks                  | 12          |
| Core Number                     | 65          |
| Old weight of Core              | 95.13%      |
| New weight of Core              | 92.71%      |
| Turnover                        | 42.66%      |
| Historical Turnover             | 23.26%      |

Table 1: Added and deleted stocks are relative to 19-Feb-2016.

The Core is defined as the subset of stocks that belong to the current as well as the previous composition.

The number of constituents in the index is stable.

The Turnover is **42.66%**, higher than its historical mean at **23.26%**.

The weight of the Index Core Portfolio decreased from **95.13%** to **92.71%**.

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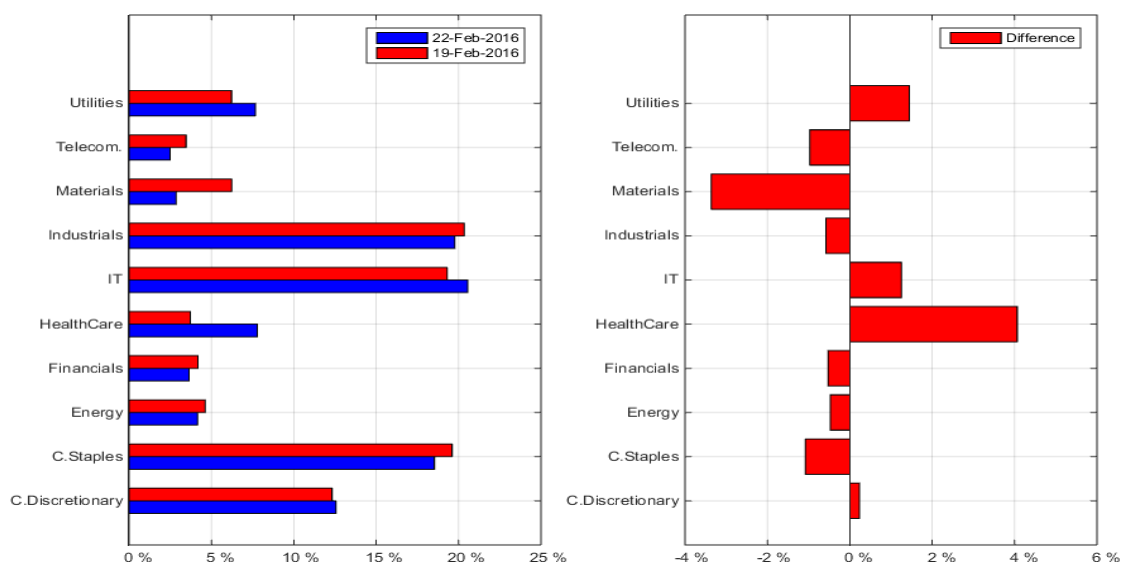
## 2 Sector Allocation

The most significant changes in sector exposures are: **4.06%** for HealthCare, **-3.36%** for Materials, **1.44%** for Utilities.

The biggest sector exposures are: **20.56%** for IT, **19.76%** for Industrials, **18.53%** for C.Staples.

|                 | Close 19-Feb-2016 | Opening 22-Feb-2016 | Difference |
|-----------------|-------------------|---------------------|------------|
| C.Discretionary | 12.32%            | 12.55%              | 0.23%      |
| C.Staples       | 19.60%            | 18.53%              | -1.08%     |
| Energy          | 4.63%             | 4.15%               | -0.47%     |
| Financials      | 4.18%             | 3.65%               | -0.53%     |
| HealthCare      | 3.71%             | 7.78%               | 4.06%      |
| IT              | 19.31%            | 20.56%              | 1.25%      |
| Industrials     | 20.34%            | 19.76%              | -0.58%     |
| Materials       | 6.23%             | 2.86%               | -3.36%     |
| Telecom.        | 3.46%             | 2.49%               | -0.97%     |
| Utilities       | 6.22%             | 7.66%               | 1.44%      |

The left-hand side of the chart below shows the sector deviations at rebalancing. Differences are shown on the right-hand side. Index weights are taken as of 19-Feb-2016 (last business day before the new composition is implemented) compared to the new rebalancing weights as of 22-Feb-2016.



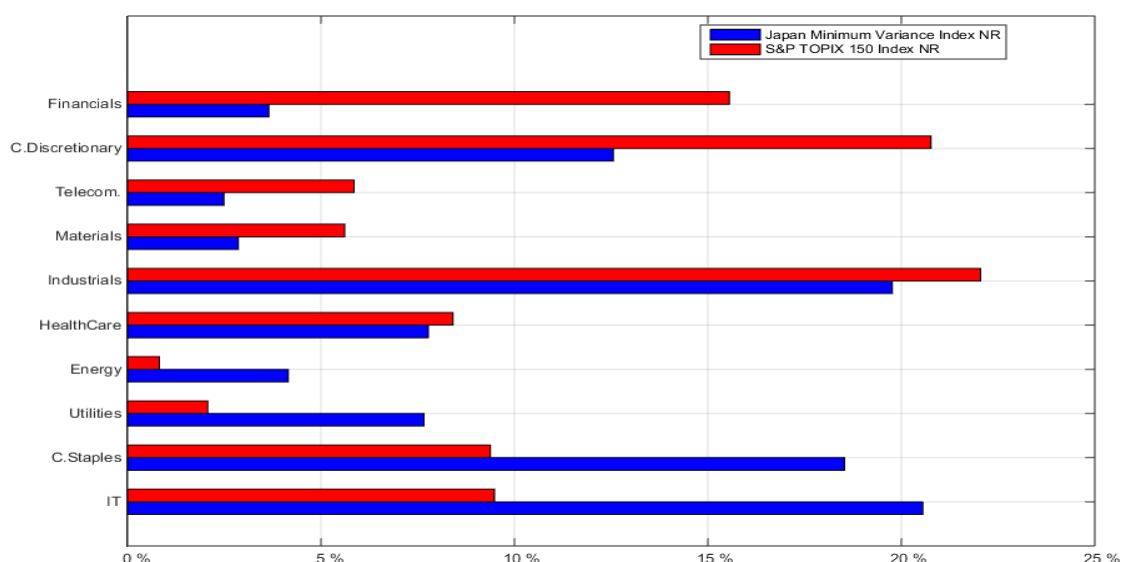
### 3 Sector breakdown vs. benchmark

The table below shows, for each sector, the weight in the Japan Minimum Variance Index NR (JPMV Index), in the benchmark S&P TOPIX 150 Index NR (SPTPXN Index) and their difference. We also show the annualized volatility of each sector in the Japan Minimum Variance Index NR (VolMV) and in the benchmark (VolBench). Annualized volatilities are computed using 125 business days ending on 15-Feb-2016

|                 | SPTPXN Index | JPMV Index | Difference | VolMV  | VolBench |
|-----------------|--------------|------------|------------|--------|----------|
| C.Discretionary | 20.76%       | 12.55%     | -8.21%     | 25.46% | 33.59%   |
| C.Staples       | 9.38%        | 18.53%     | 9.15%      | 26.86% | 29.95%   |
| Energy          | 0.82%        | 4.15%      | 3.33%      | 37.42% | 37.60%   |
| Financials      | 15.55%       | 3.65%      | -11.90%    | 33.92% | 36.44%   |
| HealthCare      | 8.41%        | 7.78%      | -0.64%     | 30.93% | 31.55%   |
| IT              | 9.48%        | 20.56%     | 11.08%     | 26.26% | 30.82%   |
| Industrials     | 22.05%       | 19.76%     | -2.28%     | 26.24% | 30.53%   |
| Materials       | 5.61%        | 2.86%      | -2.75%     | 32.62% | 35.84%   |
| Telecom.        | 5.85%        | 2.49%      | -3.37%     | 35.62% | 35.61%   |
| Utilities       | 2.07%        | 7.66%      | 5.59%      | 31.26% | 32.72%   |

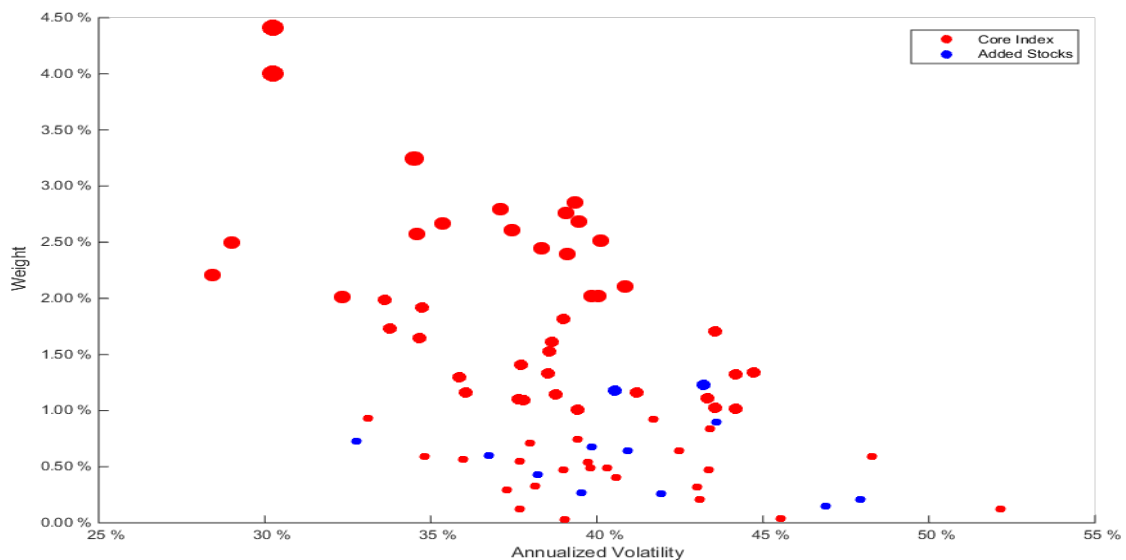
The Japan Minimum Variance Index NR overweights IT (**11.08%**) and C.Staples (**9.15%**) compared to S&P TOPIX 150 Index NR.

The Japan Minimum Variance Index NR underweights Financials (**-11.90%**) and C.Discretionary (**-8.21%**) compared to S&P TOPIX 150 Index NR.



## 4 Volatility/Weight profile

The chart below shows the distribution of the new Japan Minimum Variance Index NR composition on 22-Feb-2016 in terms of annualized volatility (x-axis) and weight (y-axis). Volatility computed over 125 days ending on 15-Feb-2016. On the upper left corner we find low volatile stocks with big weight in the index. On the lower right corner we find high volatile stocks with low weight in the index. These stocks usually enter the index for diversification purposes. We distinguish between Core index and added stocks to appreciate how these newly added stock are positioned in terms of volatility and weight.



## 5 Added Stocks

The rebalancing has added 12 new stocks. In the table below, T is the current rebalancing date (22-Feb-2016), while T-1 is the previous rebalancing date (18-Jan-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 11-Jan-2016 and 15-Feb-2016. The average daily volumes ADV(T-1) and ADV(T), expressed in mln JPY, are computed over 50 business days ending on the same dates as before, with the relative ranking over the benchmark S&P TOPIX 150 Index NR. Finally, WW(T) is the stock weight at the current rebalancing date.

|                          | Sector          | Country | Vol(T-1) | Vol(T) | WW(T) | ADV(T-1)      | ADV(T)        | B | LF | EU |
|--------------------------|-----------------|---------|----------|--------|-------|---------------|---------------|---|----|----|
| ASTELLAS PHARMA INCO.    | HealthCare      | JAPAN   | 32.65%   | 36.75% | 0.60% | 12824.69 (28) | 13542.05 (33) | Y | Y  | Y  |
| FANUC CORP.              | Industrials     | JAPAN   | 38.53%   | 43.20% | 1.23% | 24399.22 (8)  | 27083.62 (8)  | Y | Y  | Y  |
| FAST RETAILING CO.LTD.   | C.Discretionary | JAPAN   | 39.16%   | 40.53% | 1.18% | 28687.35 (6)  | 34354.42 (6)  | Y | Y  | Y  |
| KYOCERA CORP.            | IT              | JAPAN   | 34.11%   | 38.24% | 0.43% | 7472.52 (65)  | 8440.74 (64)  | Y | Y  | Y  |
| MEIJI HOLDINGS CO.LTD.   | C.Staples       | JAPAN   | 45.24%   | 43.62% | 0.90% | 5806.81 (94)  | 6111.28 (96)  | Y | Y  | Y  |
| NIDEC CORP.              | Industrials     | JAPAN   | 38.26%   | 40.93% | 0.65% | 14240.65 (20) | 15681.60 (21) | Y | Y  | Y  |
| ONO PHARM.CO.LTD.        | HealthCare      | JAPAN   | 42.30%   | 47.92% | 0.21% | 10978.18 (34) | 13914.05 (30) | Y | Y  | Y  |
| SUMIT.MTI.TST.HDG.INCO.  | Financials      | JAPAN   | 32.98%   | 39.52% | 0.27% | 7761.17 (62)  | 8811.69 (58)  | Y | Y  | Y  |
| TERUMO CORPORATION       | HealthCare      | JAPAN   | 40.20%   | 39.83% | 0.67% | 5670.35 (97)  | 6833.86 (88)  | Y | Y  | Y  |
| THE KANSAI ELPW.CO.INCO. | Utilities       | JAPAN   | 44.50%   | 46.91% | 0.15% | 3837.55 (120) | 4141.06 (121) | Y | Y  | Y  |
| TOPPAN PRINTING CO.LTD.  | Industrials     | JAPAN   | 29.19%   | 32.75% | 0.73% | 2421.58 (142) | 2518.83 (140) | Y | N  | N  |
| YAKULT HONSHA CO.LTD.    | C.Staples       | JAPAN   | 43.03%   | 41.93% | 0.26% | 3061.29 (136) | 3043.67 (137) | Y | Y  | Y  |

Table 2: The Column B shows whenever the added stock was in the S&P TOPIX 150 Index NR selection as of 18-Jan-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 18-Jan-2016.

## 6 Deleted Stocks

The rebalancing has deleted 12 new stocks. In the table below, T is the current rebalancing date (22-Feb-2016), while T-1 is the previous rebalancing date (18-Jan-2016). Vol(T-1) and Vol(T) are the annualized volatilities computed over 125 business days ending, respectively, on 11-Jan-2016 and 15-Feb-2016. The average daily volumes ADV(T-1) and ADV(T), expressed in mln JPY, are computed over 50 business days ending on the same dates as before, with the relative ranking over the benchmark S&P TOPIX 150 Index NR. Finally, WW(T-1) is the stock weight at the previous rebalancing date.

|                          | Sector          | Country | Vol(T-1) | Vol(T) | WW(T-1) | ADV(T-1)      | ADV(T)        | B | LF | EU |
|--------------------------|-----------------|---------|----------|--------|---------|---------------|---------------|---|----|----|
| AISIN SEIKI COMPANY LTD. | C.Discretionary | JAPAN   | 37.11%   | 44.73% | 0.16%   | 5832.70 (92)  | 6298.64 (94)  | Y | Y  | Y  |
| EAST JAPAN RAILWAY CTD.  | Industrials     | JAPAN   | 27.53%   | 37.26% | 0.90%   | 10520.50 (41) | 12560.33 (39) | Y | Y  | Y  |
| J S R CORP.              | Materials       | JAPAN   | 32.78%   | 38.12% | 1.70%   | 2475.53 (140) | 1994.38 (146) | Y | N  | N  |
| MARUBENI CORP.           | Industrials     | JAPAN   | 29.99%   | 42.05% | 0.17%   | 7913.73 (61)  | 8557.00 (61)  | Y | Y  | Y  |
| mitsui fudosan co.ltd.   | Financials      | JAPAN   | 31.91%   | 44.41% | 0.04%   | 12419.19 (29) | 15821.26 (20) | Y | Y  | Y  |
| MITSUI OSK LINES LTD.    | Industrials     | JAPAN   | 30.36%   | 40.95% | 0.46%   | 4753.56 (109) | 4911.99 (108) | Y | Y  | Y  |
| NISSAN MOTOR CO.LTD.     | C.Discretionary | JAPAN   | 32.10%   | 39.25% | 0.17%   | 14857.80 (17) | 16034.06 (19) | Y | Y  | Y  |
| SEKISUI HSE.LTD.         | C.Discretionary | JAPAN   | 32.95%   | 41.66% | 0.19%   | 6592.24 (81)  | 7025.80 (86)  | Y | Y  | Y  |
| SONY CORPORATION         | C.Discretionary | JAPAN   | 37.02%   | 48.44% | 0.69%   | 26422.23 (7)  | 33391.34 (7)  | Y | Y  | Y  |
| SUMIT.REAL.&DEV.CO.LTD.  | Financials      | JAPAN   | 32.76%   | 47.04% | 0.09%   | 9221.20 (50)  | 11870.86 (41) | Y | Y  | Y  |
| TOYOTA MOTOR CORP.       | C.Discretionary | JAPAN   | 28.31%   | 37.71% | 0.25%   | 69973.57 (1)  | 80265.93 (1)  | Y | Y  | Y  |
| WEST JAPAN RAILWAY CO.   | Industrials     | JAPAN   | 31.84%   | 40.92% | 0.05%   | 7745.01 (63)  | 7896.25 (74)  | Y | Y  | Y  |

Table 3: The Column B shows whenever the deleted stock was in the S&P TOPIX 150 Index NR selection as of 22-Feb-2016. The columns LF/EU show whenever the stock was selected by the liquidity filter/eligible universe as of 22-Feb-2016.

## 7 Ranking Index Constituents - Top 25

The table shows the top 25 positions in the Japan Minimum Variance Index NR as of 22-Feb-2016. The column WW indicates the weights in the Japan Minimum Variance Index NR as of 22-Feb-2016. The column Vol gives the annualized volatility computed over 125 business days ending on 15-Feb-2016. We also provide the ranking of these volatilities (Rank Vol) relative to the Filtered Selection at the rebalancing date. The column Corr gives the average correlation of each stock relative to the rest of the filtered selection, computed over 500 business days ending on 15-Feb-2016. We also provide the ranking of these correlations (Rank Corr) relative to the Filtered Selection at the rebalancing date. The Rank Blend is computed as 66% Rank Vol + 34% Rank Corr. The lower the stock's Rank Blend, the higher the likelihood that the stock will be overweighted in the Index. Finally, the column Core shows whether the stock was in the Japan Minimum Variance Index NR already (YES) or it entered at this rebalancing (NO).

|                         | Sector          | Country | WW    | Vol    | Rank Vol | Corr   | Rank Corr | Rank Blend | Core |
|-------------------------|-----------------|---------|-------|--------|----------|--------|-----------|------------|------|
| NIKON CORPORATION       | C.Discretionary | JAPAN   | 4.41% | 30.24% | 3        | 42.09% | 15        | 7          | YES  |
| LAWSON INCO.            | C.Staples       | JAPAN   | 4.00% | 30.25% | 4        | 40.56% | 7         | 5          | YES  |
| NH FOODS LTD.           | C.Staples       | JAPAN   | 3.25% | 34.49% | 10       | 39.42% | 3         | 7          | YES  |
| FUJITSU LIMITED         | IT              | JAPAN   | 2.85% | 39.34% | 46       | 39.83% | 6         | 32         | YES  |
| JAPAN AIRLINES CO.LTD.  | Industrials     | JAPAN   | 2.79% | 37.10% | 20       | 39.67% | 4         | 14         | YES  |
| YAHOO JAPAN CORPORATION | IT              | JAPAN   | 2.76% | 39.05% | 42       | 39.07% | 2         | 28         | YES  |
| TOKYO ELECTRON LTD.     | IT              | JAPAN   | 2.69% | 39.46% | 49       | 42.13% | 16        | 37         | YES  |
| LIXIL GROUP CORP.       | Industrials     | JAPAN   | 2.67% | 35.36% | 15       | 43.82% | 23        | 17         | YES  |
| NEC CORPORATION         | IT              | JAPAN   | 2.61% | 37.46% | 23       | 42.14% | 17        | 20         | YES  |
| RICOH CO.LTD.           | IT              | JAPAN   | 2.58% | 34.59% | 11       | 47.37% | 43        | 21         | YES  |
| NITORI HOLDINGS CO.LTD. | C.Discretionary | JAPAN   | 2.51% | 40.11% | 57       | 38.40% | 1         | 37         | YES  |
| CANON INCO.             | IT              | JAPAN   | 2.50% | 28.99% | 2        | 57.17% | 118       | 41         | YES  |
| JX HOLDINGS INCO.       | Energy          | JAPAN   | 2.44% | 38.33% | 34       | 43.86% | 24        | 30         | YES  |
| ORIENTAL LAND CO.LTD.   | C.Discretionary | JAPAN   | 2.40% | 39.13% | 44       | 40.61% | 9         | 32         | YES  |
| SECOM CO.LTD.           | Industrials     | JAPAN   | 2.21% | 28.44% | 1        | 57.22% | 119       | 41         | YES  |
| EISAI CO.LTD.           | HealthCare      | JAPAN   | 2.10% | 40.87% | 61       | 39.76% | 5         | 41         | YES  |
| RAKUTEN INCO.           | C.Discretionary | JAPAN   | 2.02% | 39.85% | 54       | 42.69% | 20        | 42         | YES  |
| CHUGAI PHARM.CO.LTD.    | HealthCare      | JAPAN   | 2.02% | 40.03% | 56       | 40.63% | 10        | 40         | YES  |

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|                        | Sector      | Country | WW    | Vol    | Rank Vol | Corr   | Rank Corr | Rank Blend | Core |
|------------------------|-------------|---------|-------|--------|----------|--------|-----------|------------|------|
| OSAKA GAS COMPANY LTD. | Utilities   | JAPAN   | 2.01% | 32.33% | 5        | 52.66% | 78        | 29         | YES  |
| ANA HOLDINGS INCO.     | Industrials | JAPAN   | 1.98% | 33.60% | 8        | 50.00% | 60        | 25         | YES  |
| ASAHI GROUP HDG.LTD.   | C.Staples   | JAPAN   | 1.92% | 34.74% | 13       | 47.98% | 46        | 24         | YES  |
| AEON COMPANY LTD.      | C.Staples   | JAPAN   | 1.82% | 39.01% | 39       | 43.15% | 22        | 33         | YES  |
| TOKYO GAS COMPANY LTD. | Utilities   | JAPAN   | 1.73% | 33.77% | 9        | 51.63% | 70        | 29         | YES  |
| INPEX CORPORATION      | Energy      | JAPAN   | 1.71% | 43.56% | 87       | 41.51% | 12        | 61         | YES  |
| NTT DATA CORP.         | IT          | JAPAN   | 1.64% | 34.66% | 12       | 49.87% | 57        | 27         | YES  |



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